



Office of the Secretary of Technology

Office of Enterprise Business Solutions ~ A Model for Efficiency and Effectiveness



The Honorable Aneesh P. Chopra
Secretary of Technology

10/30/06



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Agenda for Discussion

I. The Productivity Imperative

II. Lessons from Top Performers

III. Office of Enterprise Business Solutions



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A Steady Record of Effective, Well Run Government

VA Atop the Nation's States...

- Best Managed State (2005)



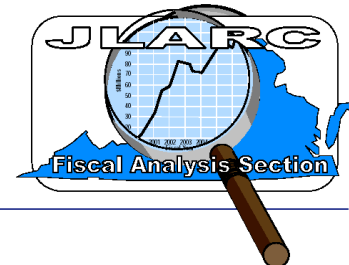
- 2nd in Digital States Survey (2006)



...With a History of Organizational Efficiency

- Governor Wilder's Project Streamline (1992)
- Governor Allen's Blue Ribbon Strike Force on Government Reform (1994)
- Governor Warner's Commission on Efficiency and Effectiveness (2002)

Special Report: Review of Virginia's Cost-Savings Initiatives



In Summary

JLARC Report in Brief

In April, 2006, JLARC issued a study reviewing the implementation status of **222** identifiable cost savings recommendations since 1992 and found roughly **75%** are fully or partially implemented; several initiatives alone contributed **\$100+ million** in additional revenues



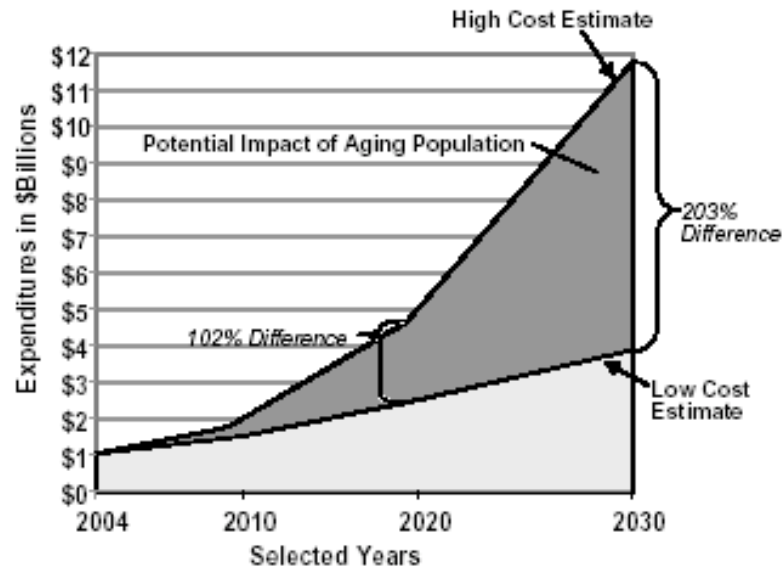
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While Incremental Improvement is Possible, It is Not Sufficient

Demand for Services on “Hyper” Growth

Estimated Impact of Aging Population on Total Medicaid Expenditures for the Aged

Source: DMAS projections of Medicaid cost components.



Productivity Lagging the Private Sector

Private sector productivity has grown recently at roughly **3 percent** per year.

...*government* productivity is harder to measure; best estimates place its recent growth at less than **1 percent**.

Lenny Mendonca, McKinsey Global Institute (2004)

Increasing productivity is a major issue for all governments

On the Governor's Agenda

Governor Kaine has personally reviewed every agency's goals and performance measures. He is proud of Virginia's "Best Managed State" distinction and sees it as an imperative to pursue more aggressive, transparent goals.



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Leaders Pursue Innovation to Balance Approach to Productivity

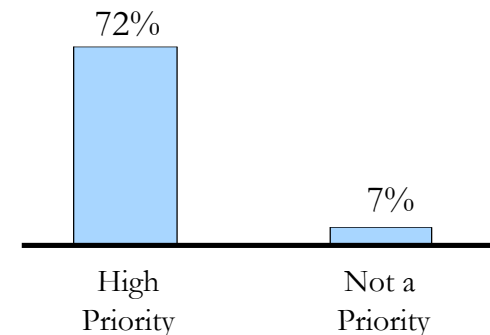


Linking Productivity to Innovation

“Arguably, the pickup in productivity growth since 1995 largely reflects the ongoing incorporation of **innovations** in computing and communications technologies into the capital stock and business practices.”

Alan Greenspan, October 23, 2002

Innovation Rank Among Priorities *2006 Survey of Corporate Executives*





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Lessons from Top Performers

A Structured Approach to Sustainable, Continuous Change

Simplify Government		
1 Ideas	2 Skills	3 Leadership
<ul style="list-style-type: none">•Uncover internally-led creative solutions•Surface emerging ideas through private sector partners <p><u>Case Study #1: Google</u> Build a “Virtual Lab” to surface ideas from within agencies, the private sector, or political leaders</p>	<ul style="list-style-type: none">•Identify top performers across the enterprise•Invest in training programs to support implementation <p><u>Case Study #2: Southwest</u> Pursue continuous improvement through discipline and a focus on staff productivity</p>	<ul style="list-style-type: none">•Build the organizational will for change•Establish a common language and methodology for consistent performance <p><u>Case Study #3: GE</u> Engage all leaders in the cycle of performance improvement; empower managers to participate, drive results</p>



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Case Study #1: Google

Virtual Lab Enfranchises Customers to Test Existing and New Ideas



Mission

- Build an environment where customers can play around with prototypes of some of Google's "wild and crazy" ideas and offer feedback directly to those who developed them

Staff

- Employees allowed to use **20% of their paid time** to work on their own projects; core to this strategy is a rigorous employment screen that recruits world's brightest minds

Results

- Launched in 2002, Google Labs is credited with over a dozen new products and services, including Gmail in April 2004



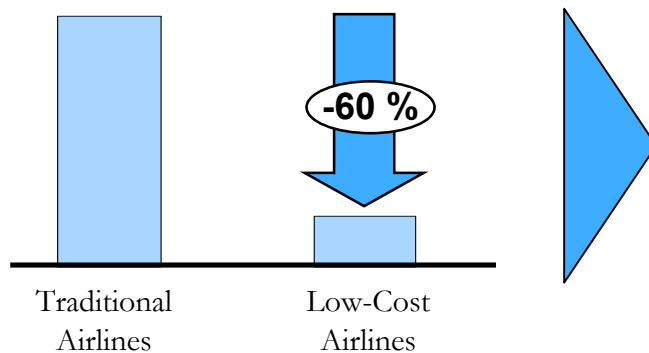
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Case Study #2: Southwest Airlines

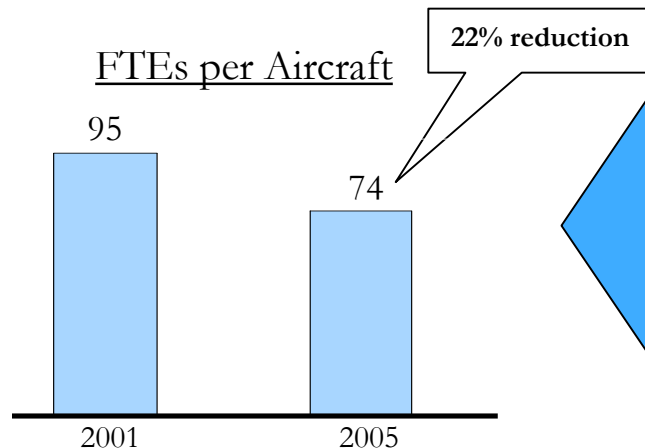
Continuous Improvement Yields Dramatic Savings Over Time

Variable Cost Comparison

Low-Cost Airlines



FTEs per Aircraft



The Long Gravel Road



1970s “Standardize Everything”

One plane, one data system, point-to-point flights introduces “low-cost” airline to industry

1990s “Ticketless Travel”

Online reservation system lowers sales and marketing from \$10 a ticket to \$.50

2000s “Eliminate Waiting”

Responding to complaints about the “queue,” Southwest introduces self-service options



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Case Study #3: GE

Formalizing Change Management Critical for Large-Scale Firms

Welch's **vision**: process innovation is about enabling individual creativity and contributions

- **Work Out** program created focus groups to expose everyday problems and offer solutions by bringing together managers and workers from all over the company
- **Management Development Institute** encourages better communication, process and organizational innovation
- **Best Practices** program sends GE teams to high-performing companies to drive internal process and organizational innovation
- **Six-Sigma** launched to find and correct process defects
- Short-term **technology research** for mostly new iterations of products



“The individual is the fountainhead of creativity and innovation, and we are struggling to get all of our people to accept the counter-cultural truth that often the best way to manage people is just to get out of their way.” *Jack Welch*



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Seeking Guidance from Within

A Virginia Exemplar Engages Constituents in Electronic Permitting

A History of Innovation



Budget Constraints: DMME maintains service growth despite **21%** cut in FTEs since 1985

Executive Commitment to Reform: Agency leadership engage **40%** of FTEs in strategic planning process and invest **38.6** training hours per FTE

A National Model: DMME has earned the prestigious **US Senate Productivity & Quality Award** (1997, 2002) – akin to the Baldrige Award for quality

COVF Innovation: Developed an electronic permitting, reporting and government system for mineral mine operators leveraging **\$87,200 grant**

Alignment with Strategic Plan

- Plan: encourage economic development through customers' management of Virginia's resources; goal to support efficient operations

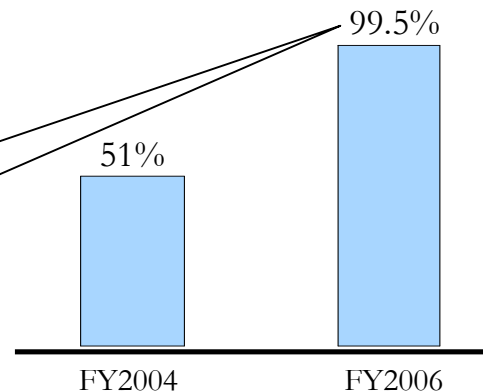
Customer-Driven Innovation

- DMME staff apply for productivity grant; immediately seek input from the mineral mining industry as a way to improve services and reduce the costs of regulatory compliance

Results

Permit costs **15%** lower than next best state (OH)*

Coal Industry Permits *% Submitted Online*



*Savings represent 500-acre Coal Surface Mining Permit (\$85k in VA; \$100k in OH, \$200k in W. Va)



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Introducing the Office of Enterprise Business Solutions

Building an Agile Enterprise to Pursue Government Innovation

Enterprise Business Solutions Office

Mission

- Simplify Government

Staff

- 2-3 Professionals
- 20-50 high-performing agency “Fellows” dedicating **15-20%** to EBSO initiatives

Goals

- Reduce constituent transaction time
- Expand constituent impact through lower operating costs

Critical Success Factors

#1: Innovation- Cast a wide net for ideas

#2: Risk Mitigation- Fund promising ideas for a pre-defined period

#3: Sponsorship- Find an executive sponsor for any center effort

#4: Collaboration- Assemble teams from across agencies and private sector volunteers

#5: Incentives- Ultimately ensure fit with the operating culture of the adopting agency

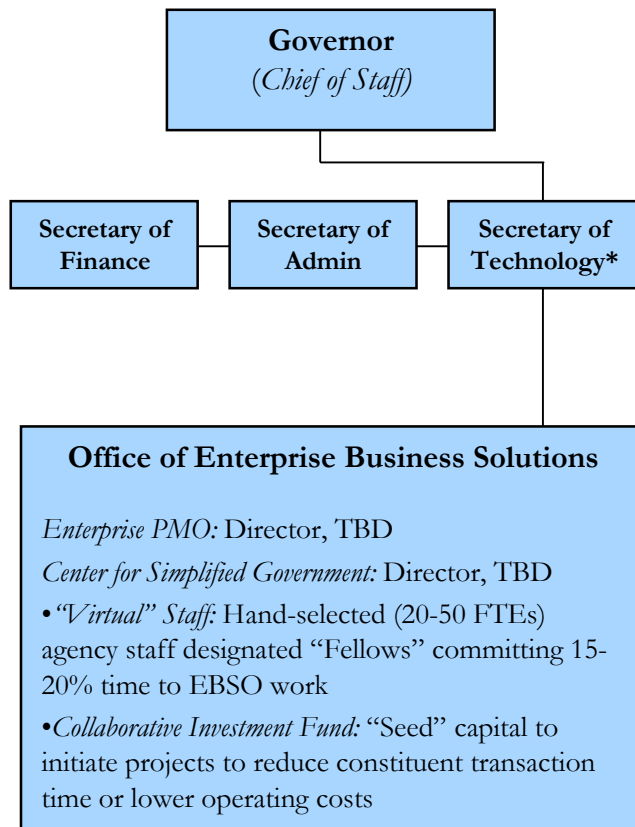


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Governance

Assembling the Commonwealth's Performance Improvement Leaders

Organizational Structure



Enterprise Business Solutions *Proposed Governance*



Board Composition

Secretary of Technology, *Chair*
Secretary of Finance
Secretary of Administration

Purpose: Advise on project portfolio to ensure a balanced approach to “home runs” and “quick wins” and alignment with COVF long-term objectives, governor’s priorities, and agency-specific performance measures

*Chair, Board of the Office of Enterprise Business Solutions



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Seeking External Counsel

Virginia's Innovators Ready to Serve the Commonwealth



Fortune Ranked #1 for Telecom Industry Innovation

Sprint Innovations employs **150** FTEs to surface “useful innovation” amongst internal staff and external partners; a recent “graduate” is a 6-month endeavor to offer driving directions on a cell phone in partnership with Garmin



BusinessWeek Ranked #1 for Financial Services Innovation

Nigel Morris, COO, launched internal consulting practice to rapidly diagnose improvement opportunities and facilitate full-scale implementation of ideas with greatest potential; areas include direct marketing, procurement, and new business integration



Solucient Ranked in Top 100 Hospitals (Only Virginia Hospital)

“I Care, I Heal, I Build” – the mission clarifies the roles for all 5,700 employees; UVA has invested **\$3M** in Six Sigma training (**144 managers**), change management, and implementation tools; orthopedics mortality rate fell **40%**



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Next Steps

A Structured Approach to Reforming Commonwealth Operations

- **Immediate task (3-6 months)**

Build Initial Project Portfolio

- Formalize board, secure core staffing (2-3 FTEs)
- Outreach to agency executives for buy-in, opportunities
- Recruit Fellows (20-50 agency leaders, 20% of time) to staff work teams
- Establish training program
- Select and fund initial project portfolio

- **Larger tasks (1-2 years)**

Develop Change Management Approach

- Understand and disseminate best practices for change management
- Develop the management skills needed within the agencies to adopt successful center projects
- Ensure proper plan to secure agency participation, including incentives

Establish Targets

- Productivity measures
- ROI for Center projects
- Alignment with Governor's performance measurement, COVF long-term objectives



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Building the Initial Portfolio from the Governor's and Agency Priorities

Portfolio

Governor's Agenda

#Enterprise Resource Planning – modernizing Virginia's disparate “back-office” functions; *Champion: Sec. Wagner**

#Veteran's Services Portal – an “all-agency” case management vehicle that maximizes service enrollment and streamlines service delivery; *Champion: Sec. Marshall*

#Business “One-Stop” Portal – a central transaction hub for entrepreneurs to expedite new business formation and regulation; *Champion: Sec. Gottschalk*

#Digital Records Management – a framework to convert paper records into an improved automated workflow; *Champion: Sec. Bryant*

#Electronic Health Records – a multi-channel investment to encourage private sector adoption of electronic records; maximize public sector investments for state agencies; and coordinate a “master patient index”; *Champion: Sec. Tavenner*

Agency-Driven Process

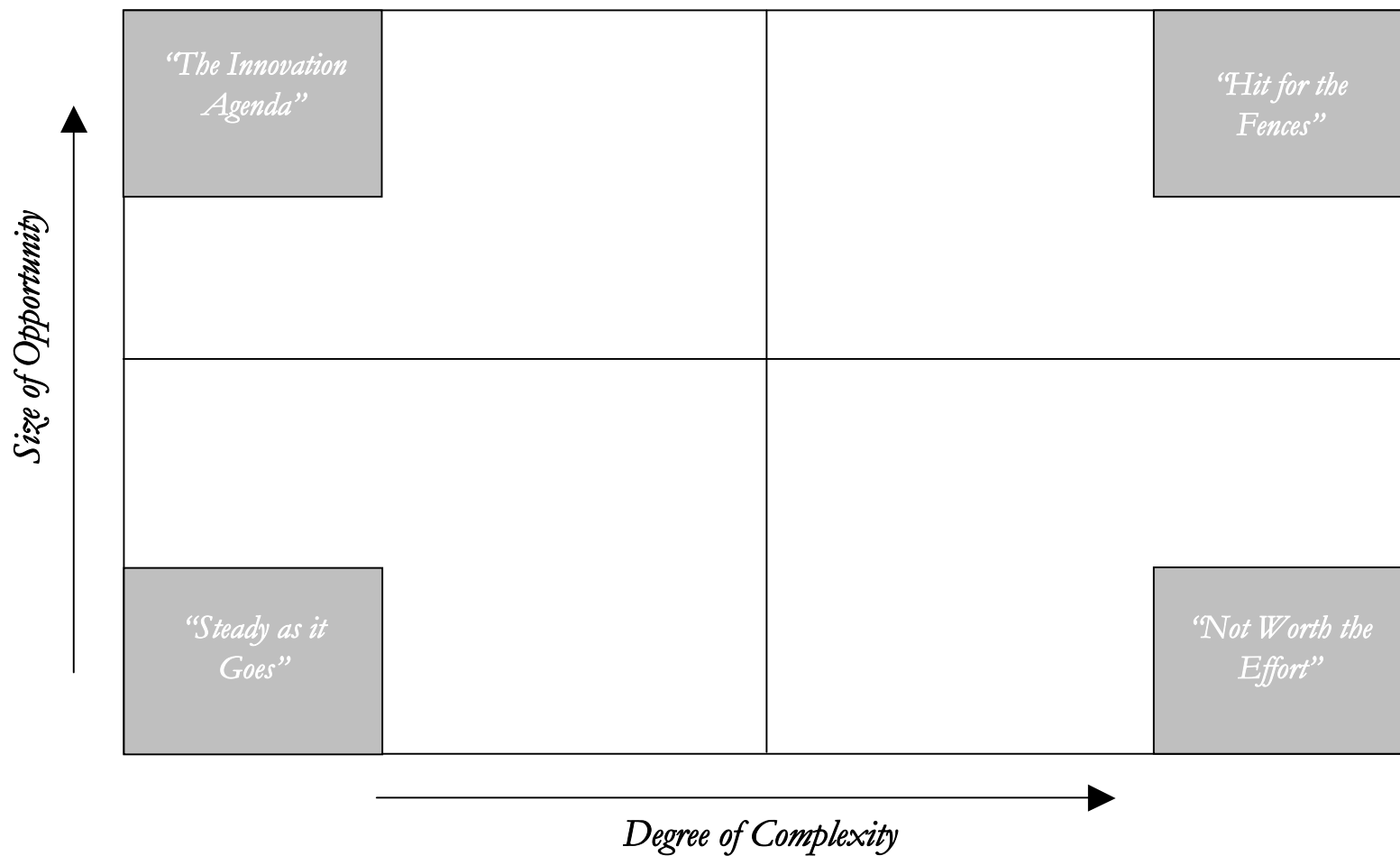
- 1 Initiate Request for Information (“RFI”)**
We intend to distribute an RFI for all agencies seeking to develop efficiency and effectiveness projects. Each RFI will be judged on:
 - lower constituent transaction time
 - lower agency operating costs
- 2 Collaborative Investment Fund**
The Office will review projects to properly distribute seed funds with special emphasis on a balanced portfolio (measured on risk/return basis)
- 3 Enterprise-Driven Project Teams**
Office will assign teams to support selected projects including staff from the lead agency, volunteers from the private sector, and “Fellows” from other agencies interested in the endeavor



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An Investment Management Approach

Ensuring a Return on Taxpayer Investment





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Vision of the Future

MIT's \$100 Laptop Revolutionizes Global Approach to Learning



"It's an education project, not a laptop project." *Nicholas Negroponte, MIT*

"Laptops are the pencils for the digital age. The sooner we can provide high quality learning environments for all, the better and more cohesive our societies will become."
David Cavallo

A Bold Vision for Education

Goal: Ship 1 million \$100 laptops around the world to enhance learning

Problem: Learning and high-quality education for all is essential to provide a fair, equitable, economically and socially viable society; access to mobile laptops on a sufficient scale provide real benefits for learning and dramatic improvement of education on a national scale; so long as computers remain unnecessarily expensive such potential gains remain a privilege for a select few.

The Lab: In **January 2005** MIT assembles world-class team to leverage open source and other technologies for a "one laptop per child" initiative

Results: Libya agrees to invest **\$250M** to provide one laptop to all **1.2 million** schoolchildren by 2008, including wireless broadband and software tools